

TEXT OF TELEGRAM 86PRETOR000163

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ACTION AF-00

INFO	LOG-00	COPY-01	ADS-00	AID-00	INR-10	EUR-00	SS-00
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R 031344Z JAN 86
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 2748
INFO AMCONSUL JOHANNESBURG
AMCONSUL CAPE TOWN
AMCONSUL DURBAN
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY PARIS
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MISSION USUN NEW YORK
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AMEMBASSY MBABANE
AMEMBASSY MAPUTO
AMEMBASSY HARARE
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AMEMBASSY LILONGWE
AMEMBASSY NAIROBI

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DEPT PASS TO FEDERAL RESERVE

E.O. 12356: N/A

TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -
- DECEMBER 20 - JANUARY 3, 1986

1. (U) SUMMARY.

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY 222 DATE 3 31-88
(X) ENCL 06 () DECLASSIFY
() ENCL 06 () DECLASSIFY IN PART
() ENCL 06 () Non-responsive info.
FOI, EO or PA exemptions _____

TS authority to:
() CLASSIFY as _____, OADR
() DOWNGRADE TS to () S or () C, OADR

- YEAR-END ECONOMIC FORECASTERS HEDGED THEIR BETS CONSIDERABLY AS SA MOVED INTO ITS MOST UNCERTAIN ECONOMIC PERIOD. MOST FORESEE 3 PERCENT GROWTH IN 1986, BUT EVEN THIS DEPENDS ON SEVERAL, POSSIBLY OPTIMISTIC, ASSUMPTIONS. VOLKSKAS BANK PROVIDES BALANCE OF PAYMENTS ESTIMATES FOR 1985 AND 1986 (SEE TABLE). THE TRADE SURPLUS SOARED IN NOVEMBER, REACHING R 11.927 BILLION, FROM R 3.256 BILLION IN THE SAME PERIOD LAST YEAR, FOR THE FIRST 11 MONTHS OF 1985. THE RAND GAINED SLIGHTLY OVER THE HOLIDAY PERIOD, UP FROM AROUND 37 U.S. CENTS TO CLOSE TO 40 U.S. CENTS. 1985 WAS CALLED THE YEAR OF ZOOMING PRICE RISES, AND THE SAG ANNOUNCED ANOTHER SURPRISE INCREASE IN PETROL PRICES ON THE REEF FOR THE NEW YEAR.

- THE DEBT STANDSTILL REGULATIONS WERE MODIFIED WITH THE REGULATIONS EXTENDING THE STANDSTILL FROM DEC. 31 TO MARCH 31, 1986. LOAN REPAYMENTS CAUGHT IN THE "NET" NOW ARE HANDLED BY THE SAG'S PUBLIC INVESTMENT COMMISSION, RATHER THAN THE RESERVE BANK. NEWS ON THE NEGOTIATIONS WAS SCANT AS OBSERVERS AWAITING THE VISIT OF DEBT MEDIATOR FRITZ LEUTWILER, DUE IN SA BY MID-JANUARY. THE RESERVE BANK CHANGED ITS STATISTICAL BASES, IN RESPONSE TO IMF AND UN RECOMMENDATIONS, FROM 1975 TO 1980. SA

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COAL EXPORTERS ARE WORRIED ABOUT COMPETITION FROM AUSTRIA AS ANTI-SA MOVES TIGHTEN. SOME OBSERVERS EVEN PREDICT SA COAL BEING SHUT OUT OF THE NORTHERN HEMISPHERE IF THE PRESSURE KEEPS UP. SA'S STAINLESS STEEL PRODUCERS CALLED FOR PROTECTION FROM DUMPED IMPORTS, MORE RATIONALIZATION WAS CALLED FOR IN THE DEEPLY TROUBLED AUTOMOBILE MANUFACTURING SECTOR, AND SOME FIGURES WERE PUBLISHED FOR SALES IN SA'S HIGH-TECH MARKET. TV MANUFACTURING HEADED FOR DEREGULATION, WHICH WOULD ALLOW NEW MAKERS INTO THE ALREADY DEPRESSED MARKET, WITH MANUFACTURERS RUNNING AT ABOUT 54 PERCENT OF CAPACITY.

RAINS BROUGHT PROMISE OF A GOOD MAIZE CROP OF 8 - 9 MILLION TONS, WITH ONE FORECASTER EVEN PREDICTING 11 MILLION TONS (COMPARED TO THE ALL-TIME RECORD OF 14.1 MILLION IN 1982). BUT SA'S FARMING CRISIS CONTINUED AS FARM DEBT CONTINUED TO CLIMB AND THE 21 MARKETING BOARDS, ESTABLISHED IN 1937 CAME IN FOR SEVERE CRITICISM. SA OUTLINED ITS POSITIONS AT THE MADRID MEETING OF THE INTERNATIONAL CONFERENCE ON SOUTH ATLANTIC FISHERIES (ICSEAF). UNDER BRIEFS, WE NOTE WOOL IS UP, BUILDING AND CEMENT PRODUCTION AND RETAIL SALES ARE DOWN. SA JOINED THE QUALITY ASSESSMENT SYSTEM FOR ELECTRONIC AND ELECTROTECHNICAL COMMISSION (IECQ), AND THE CLOTHING MANUFACTURERS' CHIEF COMPLAINED ABOUT COMPETITION, ESPECIALLY FROM ZIMBABWE.

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5. 1985 - THE YEAR OF ZOOMING PRICE RISES.
6. DEBT STANDSTILL REGULATIONS MODIFIED.
7. RESERVE BANK CHANGES STATISTICAL BASES.

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TO SECSTATE WASHDC 2749
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DEPT PASS TO FEDERAL RESERVE

REF. 12356: N/A

TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

8. SOUTH AFRICA WATCHES AUSTRALIA'S COAL EXPORTS.
9. SA STAINLESS STEEL PRODUCERS WANT PROTECTION.
10. RATIONALIZATION NEEDED IN AUTO INDUSTRY.

11. SOUTH AFRICA'S HIGH-TECH MARKET (TABLE).
12. TV MANUFACTURING HEADS FOR DEREGULATION.
13. RAINS BRING PROMISE OF GOOD MAIZE CROP.
14. SA'S FARMING CRISIS.
15. SOUTH AFRICAN POSITIONS ON SOUTH ATLANTIC FISHING.
16. ECONOMIC BRIEFS.

END SUMMARY.

2. (U) YEAR-END ECONOMIC FORECASTERS HEDGE THEIR BETS

THE CONSENSUS OF ECONOMIC FORECASTERS IN THEIR YEAR-END REVIEWS OF 1985 AND PREDICTIONS FOR 1986 IS BASICALLY CAUTIOUS AS THE SA ECONOMY MOVES INTO ONE OF ITS MOST UNCERTAIN PERIODS. WHILE RESERVE BANK GOVERNOR DE KOCK PREDICTS MODEST ECONOMIC UPSWING IN 1986, WITH 3 PERCENT GROWTH AND SOME INCREASED EMPLOYMENT, LOCAL ECONOMISTS ARE MORE CAUTIOUS IN THEIR PROGNOSSES. SANLAM, FOR INSTANCE, HAS SOME KEY ASSUMPTIONS UNDERLYING ITS FORECAST: UNREST WILL NOT GET OUT OF HAND; SA WILL SUCCEED IN RESCHEDULING ITS FOREIGN LOANS REPAYMENT SATISFACTORILY; SAG ECONOMIC POLICY WILL CONTINUE TO PROMOTE GROWTH RATHER THAN

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CURBING INFLATION; AND THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS WILL STILL SHOW A CONSIDERABLE SURPLUS.

ALTHOUGH MOST SHORT-TERM BUSINESS-CYCLE INDICATORS SHOW THAT THE DECLINE IN ECONOMIC ACTIVITY IS SLOWLY STARTING TO LEVEL OFF AND THERE SOON WILL BE A MODERATE RECOVERY, VOLKSKAS ECONOMISTS UNDERLINE THAT THE MOMENTUM IS NOT EXPECTED TO CONTINUE INTO 1987. MOST ECONOMISTS POINT TO THE KEY ROLE A FUTURE SURPLUS ON THE BALANCE OF PAYMENTS WILL HAVE ON ECONOMIC GROWTH. ALTHOUGH A SIZEABLE R5 - 6 BILLION CURRENT ACCOUNT SURPLUS IS EXPECTED FOR 1985, EXPECTATIONS ARE THAT NET GOLD AND OTHER FOREIGN EXCHANGE RESERVES WILL DROP AS A RESULT OF A LARGE NET OUTFLOW OF FUNDS ON THE CAPITAL ACCOUNT.

THE PREDICTED 1986 GROWTH RATE AT AROUND 3 PERCENT IS SUPPORTED BY SEVERAL ASSUMPTIONS: HIGHER EXPORT VOLUMES; A HALT IN THE DECLINE IN INVENTORY LEVELS; SOME IMPORT REPLACEMENT AS A RESULT OF THE WEAK EXCHANGE RATE OF THE RAND; AND A DELIBERATE AND SUSTAINED ECONOMIC POLICY AIMED AT STIMULATING DOMESTIC DEMAND. ECONOMISTS EMPHASIZE THAT THE FALLING PRICE OF OIL COULD MEAN SEVERE SETBACKS FOR THE GOLD PRICE. THE MOST CRUCIAL TEST FOR GOLD IS FORESEEN FOR THE FIRST

QUARTER OF 1986 WHEN A MARKEDLY EASIER OIL PRICE IS EXPECTED.

- REAL GROSS DOMESTIC EXPENDITURE, WHICH STOPPED DECLINING DURING THE 3RD QUARTER OF 1985, IS EXPECTED TO RISE BY 4 PERCENT IN 1986, PROMPTED BY GROWTH-SUPPORTED MONETARY POLICY AND SELECTIVE TAX REDUCTIONS, TOGETHER WITH EXPECTATIONS OF A SUSTAINED HIGH INFLATION RATE. REAL GOVERNMENT EXPENDITURE IS

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R 031344Z JAN 86

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2750

INFO AMCONSUL JOHANNESBURG

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY LONDON

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AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY BERN

COMMISSION USUN NEW YORK

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AMEMBASSY GABORONE

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY MAPUTO

AMEMBASSY HARARE

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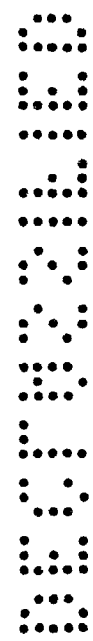
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E.O. 12356: N/A

TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

EXPECTED TO ACCELERATE, GIVEN THE DECLARED SAG POLICY
OF ECONOMIC STIMULATION. REGIONAL SERVICES COUNCILS
ARE EXPECTED TO BEGIN OPERATING IN 1986, WITH INCREASED



EXPENDITURES. THE SAG'S DEFICIT BEFORE BORROWING WILL PROBABLY RISE TO R5 BILLION IN THE 1986-87 FINANCIAL YEAR. ABOUT 3.5 PERCENT OF EXPECTED GDP. THE PROBLEM HERE WILL BE CONSIDERABLE DEMANDS MADE ON THE LOCAL CAPITAL MARKET IN 1986.

- VOLKSKAS' PREDICTIONS FOR BALANCE OF PAYMENTS IN 1985 AND 1986 ARE AS FOLLOWS (WITH PERCENTAGE GROWTH OVER PREVIOUS YEARS SHOWN IN PARENTHESES):

- BALANCE OF PAYMENTS (RM)

		EXPECTED
	1985	1986
MERCHANDISE EXPORTS	18,915	20,000
	(48.9)	(5.7)
NET GOLD OUTPUT	15,269	17,500
	(30.7)	(14.6)
SERVICE RECEIPTS	5,565	5,735
	(26.0)	(3.0)

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MERCHANDISE IMPORTS	-22,985	-26,400
	(7.6)	(14.9)
PAYMENTS FOR SERVICES	-11,769	-13,000
	(26.8)	(10.5)

TOTAL GOODS AND SERVICES	4,995	3,835
TRANSFERS (NET)	373	400

BALANCE ON CURRENT ACCOUNT	5,368	4,235
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LONG-TERM CAPITAL MOVEMENTS	OUTFLOW	OUTFLOW
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SHORT-TERM CAPITAL MOVEMENTS	OUTFLOW	OUTFLOW
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CHANGE IN NET GOLD AND OTHER		
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FOREIGN EXCHANGE RESERVES	MINUS	PLUS
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3. (U) TRADE SURPLUS SOARS IN NOVEMBER.

- SOUTH AFRICA'S TRADE SURPLUS MORE THAN DOUBLED TO R1.441 BILLION IN NOVEMBER 1985 FROM R 583 MILLION LAST

YEAR. EXPORTS DURING NOVEMBER WERE R 3.542 BILLION AGAINST
R 2.629 BILLION LAST YEAR, WHILE IMPORTS AMOUNTED TO
R 2.101 BILLION, UP SLIGHTLY FROM R 2.046 BILLION
LAST YEAR. THESE TRADE FIGURES INCLUDE EXPORT OF GOLD
BULLION AS WELL AS OVERSEAS SALES OF KRUGERRAND GOLD
COINS, AND IMPORTS INCLUDE SA'S PURCHASES OF OIL AND OTHER
PETROLEUM PRODUCTS.

- THE TRADE SURPLUS FOR THE FIRST 11 MONTHS OF 1985

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R 031344Z JAN 86
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 2751
INFO AMCONSUL JOHANNESBURG
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TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF
SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

SOARED TO R 11.927 BILLION FROM R 3.256 BILLION IN THE
SAME PERIOD LAST YEAR. EXPORTS BETWEEN JANUARY AND NOVEM-
BER 1985 TOTALLED R 33.275 BILLION AGAINST R 23.275

BILLION LAST YEAR, WHILE IMPORTS TOTALLED R 21.349 BILLION AGAINST R 20.019 BILLION LAST YEAR. EUROPE REMAINED SA'S LARGEST TRADING PARTNER WITH EXPORTS AMOUNTING TO R 8.369 BILLION, COMPARED WITH R 6.071 LAST YEAR, AND IMPORTS WERE R 10.018 BILLION (R 8.965 BILLION). AFTER EUROPE, AMERICA (NOT JUST U.S.) SOLD THE NEXT MOST TO SA, R 3.570 BILLION (R 3.805 BILLION). OTHER EXPORTS DESTINATIONS FOR SA WERE: ASIA, THE SECOND LARGEST EXPORT DESTINATION, WITH R 4.706 BILLION (R 3.092 BILLION); AMERICA, R 3.280 BILLION (R 2.264 BILLION); AFRICA, R 1.451 BILLION (R 818 MILLION); AND OCEANIA, R 221.4 MILLION (R 171.1 MILLION).

4. (U) RAND GAINS SLIGHTLY.

- DURING THIS TWO-WEEK, HOLIDAY REPORTING PERIOD, THE RAND MOVED UP SLIGHTLY FROM US DOLS .3720 (FINANCIAL RAND, .2915) TO .3980 ON JAN. 3 (WITH THE FINANCIAL RAND DROPPING SLIGHTLY TO AROUND 28 CENTS (US). THUS, THE RAND MOVED UP A BIT MORE THAN 3 PERCENT, OWING TO RESERVE BANK JUDICIOUS INTERVENTION AND THE WEAKNESS OF THE DOLLAR ON WORLD FINANCIAL MARKETS. THE UPWARD MOVEMENT IN THE RAND ALSO SUGGESTS THE RESERVE BANK HAS A MUCH FIRMER GRIP ON THE RAND SINCE EXCHANGE CONTROL REGULATIONS WERE

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TIGHTENED JUST BEFORE CHRISTMAS. ALSO, SPECIAL ADVISER TO THE RESERVE BANK, ROGER GIDLOW, REVEALED TO THE PRESS THAT THE BANK HAD REQUESTED OIL COMPANIES TO CHANNEL LARGE PAYMENTS OF OIL IMPORTS THROUGH THE BANK. UNTIL RECENTLY OIL COMPANIES HAD TO BUY DOLLARS FOR IMPORTS ON THE LOCAL FOREIGN EXCHANGE MARKET. GIDLOW SAID THIS MOVE WAS AIMED AT INJECTING AN ELEMENT OF STABILITY INTO THE FOREIGN EXCHANGE MARKET THAT OTHERWISE MIGHT BE UNSETTLED BY "SUCH LUMPY PAYMENTS."

- THE JOHANNESBURG STOCK EXCHANGE (JSE) ACTUARIES INDUSTRIAL INDEX HIT A RECORD LEVEL OF 1,069.5 ON JAN. 2, UP 39.4 PERCENT FROM ITS MARCH 1985 LOW OF 767.1. GAINS IN LEADERS HAVE BEEN SUBSTANTIAL WITH BARLOWS UP 50.3 PERCENT FROM ITS 1985 LOW, SASOL UP 67.6 PERCENT, AND REMBRANDT AT 66.6 HIGHER.

5. (U) 1985 - THE YEAR OF ZOOMING PRICE RISES.

- WITH THE PETROL PRICE EXPECTED TO GO UP ANOTHER 6 CENTS IN FEBRUARY, FOR A TOTAL INCREASE OF 70 PERCENT IN THE PREVIOUS 12 MONTHS, SOUTH AFRICAN CONSUMERS LOOKED BACK OVER A YEAR OF ZOOMING PRICE RISES IN 1985, E.G., - RAIL TARIFFS UP 30 PERCENT IN FEBRUARY, FOLLOWED BY A 15 PERCENT JUMP IN OCTOBER.

- AIR FARES, UP 15 PERCENT IN JANUARY, 10 PERCENT IN FEBRUARY, AND MORE SINCE THEN WITH THE DEPRECIATED RAND;
- GENERAL SALES TAX, UP FROM 10 TO 12 PERCENT IN MARCH;
- THE PLUNGING RAND DROVE MANY IMPORT RELATED PRICES UP BY AS MUCH AS 150 PERCENT;
- ADDED TO THIS WAS THE LATE-85 ADDITION OF A 10 PERCENT IMPORT SURCHARGE;
- PACKAGING MATERIALS, INCLUDING PAPER, PLASTICS AND POLYETHELENE, ROSE BY ABOUT 30 PERCENT;

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• AMEMBASSY BRUSSELS
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• AMEMBASSY BERN
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• USDOC WASHDC
• DEPTTreas WASHDC
• AMEMBASSY GABORONE
• AMEMBASSY MASERU
• AMEMBASSY MBABANE
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• E.O. 12356: N/A

TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

- MOTOR CAR PRODUCERS PUSHED UP PRICES BY ABOUT 22
PERCENT FOR THE YEAR;

- PRICES OF FOODSTUFFS, PARTICULARLY BREAD, OUTSTRIPPED

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THE INFLATION RATE.

ADDENDUM: IN A SURPRISE MOVE, EFFECTIVE MIDNIGHT DEC. 31, THE GOVERNMENT RAISED THE GASOLINE PRICE BY ANOTHER TWO SA CENTS, TO R 1.02 PER LITER, OR 51 CENTS PER HALF LITER, AS SHOWN ON PETROL PUMPS (WHICH PREVIOUSLY WERE PROGRAMMED AT PRICES BELOW THREE DIGITS). THE MINISTRY OF MINERAL AND ENERGY AFFAIRS NOTED THAT THE PRICE INCREASE WAS DUE TO TRANSPORT COSTS, I.E., RAIL AND PIPELINE COSTS, PREVIOUS 6.2 CENTS/LITER OF THE PRETORIA PETROL PRICE, WERE INCREASED TO 8.4 CENTS/LITER. NOT ALL PRICES IN SOUTH AFRICA WILL BE INCREASED; DIFFERENT AREAS WILL HAVE DIFFERENT PRICES DEPENDING ON TRANSPORT COSTS. IN PRETORIA, ONLY 93 AND 98 OCTANE PETROL HAD THE PRICE INCREASE. PRICES FOR 87 OCTANE AND DIESEL FUEL IN PRETORIA REMAINED THE SAME. THE MOVE WAS MADE SO QUICKLY THAT DATA ON OTHER PRICE INCREASES, FOR MORE INLAND LOCATIONS, HAVE YET TO BE REPORTED; SOME PRICES MAY BE AS HIGH AS R 1.12/LITER, UP 4 CENTS ON THE END-1985 PRICE. OBSERVERS BELIEVE FURTHER PRICE INCREASES ARE IN THE OFFING, RELATED TO THE RAND EXCHANGE RATE, POSSIBLY ON THE ORDER OF FIVE MORE CENTS/LITER. THE LATE-1985 INCREASE WAS BASED ON A RAND FORECAST OF US DOLS .45, BUT THE RAND MORE RECENTLY

..1. AS BEEN HOVERING BELOW US 40 CENTS. THE PETROL PRICE ON

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..THE REEF HAS NOW ABOUT DOUBLED SINCE APRIL 1980.

..6.(U) DEBT STANDSTILL REGULATIONS MODIFIED.

..BLOCKED FOREIGN LOAN REPAYMENTS HELD BY THE SA GOVERNMENT WILL, AS OF JANUARY 1, 1986, BE ADMINISTERED BY THE SAG PUBLIC INVESTMENT COMMISSIONERS (PIC), UNDER NEW DEBT STANDSTILL REGULATIONS WHICH BECAME EFFECTIVE THE FIRST OF THE YEAR (TEXT TRANSMITTED IN PRETORIA 18531). THE NEW REGULATIONS REPLACE THOSE ISSUED FOR THE FIRST STANDSTILL PERIOD, SEPT. 1 - DEC. 31, 1985, AND EXTEND THE STANDSTILL FOR ANOTHER THREE MONTHS, UNTIL MARCH 31, 1986. IN TERMS OF THE REGULATIONS, WHEN A FOREIGN LOAN FALLS DUE (IF INSIDE THE STANDSTILL "NET" -- MANY LOANS ARE OUTSIDE THE NET), AND IF NO AGREEMENT TO RENEW THE LOAN CAN BE REACHED WITH THE CREDITOR, THE LOAN AMOUNT DUE IS PAID INTO A BLOCKED ACCOUNT THAT UNTIL NOW HAS BEEN ADMINISTERED BY THE SOUTH AFRICAN RESERVE BANK. LOCAL SPECULATION IS THAT THE RESERVE BANK DID NOT WANT TO BE SEEN AS ADMINISTERING THIS ACCOUNT AND THAT THE SAG MAY HAVE DECIDED TO PUT THE PIC IN CHARGE OF BLOCKED FUNDS WITH THE INTENTION TO MAXIMIZE THE RETURN ON SUCH FUNDS. THE PIC IS THE SAG BODY WHICH HANDLES THE INVESTMENT OF SHORT-TERM GOVERNMENT FUNDS.

..OTHER CHANGES IN THE RECENTLY ISSUED REGULATIONS

CLARIFY CERTAIN DEFINITIONS, E.G., "FOREIGN GOVERNMENTS"
NOW MEANS ANY GOVERNMENT EXCEPT THOSE OF TRANSKEI,
BOPHUTHATSWANA, VENDA AND CISKEI (THE SO-CALLED "HOME-
LANDS").

- A SPOKESMAN FOR THE SA DEBT STANDSTILL COORDINATING
COMMITTEE REPORTEDLY SAID THAT NO WORD HAS BEEN RECEIVED
FROM MEDIATOR FRITZ LEUTWILER ON FOREIGN BANK REACTION
TO SA'S RESCHEDULING PROPOSALS (ALTHOUGH SUCH REACTIONS
WERE DUE IN PRICE WATERHOUSE IN LONDON ON DEC. 22, FOR

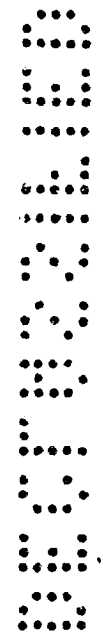
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TO SECSTATE WASHDC 2753
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AMCONSUL CAPE TOWN
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AMEMBASSY PARIS
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•••AMEMBASSY BRUSSELS
•••AMEMBASSY LUXEMBOURG
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•••USMISSION USUN NEW YORK
•••USDOC WASHDC
•••DEPTTREAS WASHDC
•••AMEMBASSY GABORONE
•••AMEMBASSY MASERU
•••AMEMBASSY MBABANE
•••AMEMBASSY MAPUTO
•••AMEMBASSY HARARE
•••AMEMBASSY LUSAKA
•••AMEMBASSY LILONGWE
•••AMEMBASSY NAIROBI

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•••E.D. 12356: N/A

•••TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF
•••SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

•••COLLATION AND SUBSEQUENT RELAY TO LEUTWILER).

•••7. (U) RESERVE BANK CHANGES STATISTICAL BASES.

IN LINE WITH RECOMMENDATIONS FROM INTERNATIONAL ORGANIZATIONS SUCH AS THE IMF AND THE U.I.J. THE SA RESERVE BANK HAS CHANGED -- FROM 1975 TO 1980 -- THE "BASE YEAR" ON WHICH "REAL" ECONOMIC STATISTICS ARE CALCULATED. ECONOMIC OBSERVERS CITE SOME OF THE GROWTH CHANGES INVOLVED BECAUSE OF THE CHANGE OVER. FOR AGRICULTURAL, FORESTRY AND FISHING SECTOR OF THE ECONOMY, UNDER THE OLD "BASE YEAR, THIS SECTOR GREW BY 2.7 PERCENT A YEAR BETWEEN 1978 AND 1981, AND FROM 1981 TO 1984, THE SECTOR'S OUTPUT DECLINED BY AN AVERAGE OF 6.4 PERCENT. HOWEVER, UNDER THE NEW BASE YEAR OF 1980, THE 1978-81 ANNUAL GROWTH RATE MOVES UP TO 4.5 PERCENT, WHILE THE SUCCEEDING ANNUAL DECLINE IS NOW 8.7 PERCENT. OTHER OUTPUT CHANGES ARE NOT SO DRAMATIC, BUT EACH SECTOR HAS BEEN AFFECTED. COMPONENTS OF GROSS DOMESTIC EXPENDITURE HAVE ALSO BEEN AFFECTED BY THE REVISIONS. PRIVATE CONSUMPTION SPENDING ON DURABLE GOODS, FOR EXAMPLE, UNDER THE OLD SYSTEM, GREW AT AN ANNUAL RATE OF 14.2 PERCENT BETWEEN 1978-81, AND BETWEEN 1981-84, IT DECLINED BY 2.5 PERCENT A YEAR. UNDER THE NEW SYSTEM, THE FIRST FIGURE CHANGES TO 14.6 PERCENT AND THE SECOND TO AN ANNUAL DECLINE OF 4.3 PERCENT. THE CHANGES ARE REFLECTED IN THE MOST RECENT

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ISSUE OF THE "RESERVE BANK BULLETIN."

(U) SOUTH AFRICA WATCHES AUSTRALIA'S COAL EXPORTS.

ROY BENNETTS, BUSINESS DAY'S MINING EDITOR (12/23), WRITES THAT PROSPECTS FOR THE FUTURE OF THE SA COAL INDUSTRY DO NOT LOOK PARTICULARLY HEALTHY, WITH FOREIGN EMBARGOES THREATENING TO CUT OFF EXPORTS AND LOCAL PRICE INCREASES FALLING BELOW THE RISE IN PRODUCTION COSTS. HE BELIEVES RECENT CANCELLATIONS OF ORDERS BY EUROPEAN CUSTOMERS ARE JUST THE TIP OF THE ICEBERG, WITH EITHER MORE NON-RENEWALS TO COME OR A SHARP DECLINE IN THE OVERSEAS PRICE PAID FOR SA COAL. IN 1984, COAL CLAIMED SECOND SPOT AS AN EXPORT EARNER FOR SA. GOLD CONTINUED TO LEAD WITH R 11.6 BILLION, FOLLOWED BY COAL AT R 1.7 BILLION AND DIAMONDS AT R 518 MILLION. INLAND DELIVERIES WERE 121 MILLION TONS FOR R 1.714 BILLION, AND EXPORTS WERE 38 MILLION TONS FOR R 1.712 BILLION. BASED ON NINE-MONTH 1985 DATA, FORECASTS FOR THE ENTIRE 1985 YEAR ARE FOR EXPORTS OF 41.5 MILLION TONS FOR R 2.674 BILLION. INLAND REVENUES ARE SEEN TO BE RISING ONLY 10 PERCENT FOR R 1.892 BILLION. AT PRESENT, ABOUT 50 PERCENT OF SA COAL EXPORTS ARE DIRECTED TO EUROPE, WITH THE FAR EAST AND OTHERS BUYING THE REMAINDER. DENMARK IS SA'S BEST CUSTOMER, TAKING ABOUT 5 MILLION TONS, BUT MANY OBSERVERS

BELIEVE THESE CONTRACTS WILL BE TERMINATED IN THE NEAR FUTURE. FOLLOWING RECENT ACTIONS BY FRANCE, THE JAPANESE ARE BELIEVE TO BE PRESSURING SA COAL SELLERS TO REDUCE PRICES.

- BENNETTS POINTS TO THE WORLD OVER-SUPPLY POSITION, PROMPTED BY THE DROP IN OIL PRICES, THE INTERNATIONAL FALL IN ELECTRICITY CONSUMPTION AND THE ENTRY OF NEW COAL PRODUCERS ONTO THE MARKET. ANALYSTS, BENNETTS RE-

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USMISSION USUN NEW YORK

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DEPTTREAS WASHDC

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AMEMBASSY MASERU

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AMEMBASSY MAPUTO

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AMEMBASSY LUSAKA

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TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

PORTS, CLAIM THAT THE CURRENT SITUATION PROVIDES FOR THE
POSSIBILITY OF A COMPLETE BAN ON SA COAL IN THE NORTHERN
HEMISPHERE, AND A TAKE-IT-OR-LEAVE-IT ATTITUDE CON-

CERNING THE BUYING PRICE FROM FAR EAST IMPORTERS. BENNETTS CONCLUDES THAT AUSTRALIA - SA'S MAJOR COMPETITOR FOR SALES TO EUROPE AND ASIA - HAS THE MOST TO GAIN FROM SANCTIONS AGAINST THE SALE OF SA COAL. WHILE STRIKES IN AUSTRALIA INVOLVING THE NEW SOUTH WALES RAIL SYSTEM AND RELATED PORTS ALLOWED SA TO GAIN SOME GROUND AGAINST AUSTRALIAN PRODUCERS. THE TREND IS NOW BEGINNING TO REVERSE AS ANTI-SA PRESSURES BUILD.

9. (U) SA STAINLESS STEEL PRODUCERS WANT PROTECTION.

- THE STAINLESS STEEL DEVELOPMENT ASSOCIATION (SASSDA) IN SOUTH AFRICA WANTS GOVERNMENT PROTECTION TO WARD OFF WHAT IT SEES AS DISRUPTIVE COMPETITION. SASSDA DIRECTOR GEORGE MALAN NOTES THAT STAINLESS STEEL MILLS ARE RUNNING AT FULL CAPACITY WORLDWIDE, LEADING TO DUMPING AT MARGINS BARELY COVERING VARIABLE COSTS. MALAN CLAIMS DUMPING COULD HURT SA'S PRIMARY PRODUCER, MIDDELBURG STEEL AND ALLOYS, BADLY AS IT IS THE ONLY STAINLESS STEEL MILL ON THE AFRICAN CONTINENT, HAVING OPENED IN 1966. MIDDELBURG HAS A MILL CAPACITY OF 95,000 TONS A YEAR. TOGETHER WITH THE 150 STAINLESS STEEL FABRICATORS IN SA, IT IS ABLE TO MEET THE ENTIRE DEMAND OF THE LOCAL MARKET.

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APART FROM CERTAIN SPECIAL GRADES AND COMPONENTS. MALAN CITES THE INDUSTRY EMPLOYING 15,000, A TOTAL INVESTMENT OF R400 MILLION AND A SALES TURNOVER OF FABRICATED PRODUCTS OF R600 MILLION. THE TOTAL MARKET IN SA, TAKING INTO ACCOUNT RAW, SEMI-FINISHED AND FINISHED IMPORTS AND EXPORTS, IS ABOUT 60,000 TONS PER YEAR. ALMOST HALF OF THE LOCAL STAINLESS STEEL MARKET IS STILL SUPPLIED BY IMPORTS, NOTES MALAN, AND HE BELIEVES AT LEAST 16,000 TONS OF IMPORTS SHOULD AND COULD BE SUPPLIED LOCALLY. SASSDA HAS SUBMITTED AN APPLICATION TO THE SAG FOR PROTECTION AGAINST DUMPED STAINLESS STEEL HOLLOWARE; THREE OTHER APPLICATIONS COVER HEAVY-DUTY FABRICATIONS. MALAN DOES NOT EXPECT AN INCREASED PROTECTIVE TARIFF UNTIL NEXT YEAR, FOLLOWING THE HOLLOWARE APPLICATION LAST APRIL. HEAVY-GAUGE PROTECTION WILL NOT BE SEEN UNTIL 1987, PREDICTS MALAN. SA CONSUMES ONLY 2 KG PER CAPITA PER YEAR, COMPARED TO 7 KG IN SWEDEN, 8 KG IN WEST GERMANY AND 6 KG IN THE U.S.

10. (U) RATIONALIZATION NEEDED IN AUTO INDUSTRY.

- WITH THE RATIONALIZATION BALL ROLLING IN THE SA AUTO INDUSTRY (MERGER OF FORD AND AMCAR, DEPARTURE OF RENAULT, ALFA ROMEO AND PEUGEOT), INDUSTRY EXPERTS ARE PUSHING FOR MORE OF THE SAME TO HELP SOLVE THE MANY PROBLEMS OF

THE OVER-BUILT INDUSTRY. SALES IN 1985 ARE 25 PERCENT
BELOW 1984. JOB LOSSES IN AUTO PLANTS HAVE REACHED 9,000
SINCE THE START OF THE MID-84 SLUMP, AND THE DROPPING
RAND HAS MEANT THAT CAR PRICES ARE NOW 20 PERCENT
BELOW THEIR ECONOMIC LEVEL AS PRODUCERS EAT SOME OF THE
HIGHER IMPORT COSTS. THE PRODUCTIVE CAPACITY OF THE
INDUSTRY IN SA IS 600,000 CARS A YEAR, BUT THE MARKET IS
ESTIMATED AT ONLY 200,000 UNITS A YEAR. SANLAM, ANGLO
AMERICAN AND WESCO, TOYOTA'S CONTROLLING COMPANY, ARE

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AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
• AMEMBASSY LUXEMBOURG
• AMEMBASSY BERN
• USMISSION USUN NEW YORK
• USDOC WASHDC
• DEPTTREAS WASHDC
• AMEMBASSY GABORONE
• AMEMBASSY MASERU
• AMEMBASSY MBABANE
• AMEMBASSY MAPUTO
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• E.O. 12356: N/A

• TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

• SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

SAID TO BE STUDYING A PLAN WHEREBY A FUND WOULD BE ESTABLISHED BY THE COMPANIES WHICH WOULD BE USED TO SWEETEN THE DEPARTURE OF "LESS-COMMITTED" MANUFACTURERS. THE

GOVERNMENT ALSO MIGHT BE ASKED TO CONTRIBUTE ON A RAND-FOR-RAND BASIS WITH THE COMPANIES. WITH RAND DROPPING 90 PERCENT AGAINST THE MARK, AND 60 PERCENT AGAINST THE YEN, THE NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS (NAAMAS) SAYS THE COMPANIES HAVE LOST MORE THAN R1.2 BILLION. GM'S MARKETING MANAGER NOTES THAT "UNTIL THE POLITICAL CLIMATE IMPROVES AND THE RAND STRENGTHENS, THERE IS LITTLE THE GOVERNMENT OR OURSELVES CAN DO TO INCREASE SALES." NAAMSA IS A BIT MORE OPTIMISTIC, CITING THE RESTIMULATION OF THE SA ECONOMY AND FALLING INTEREST RATES WHICH COULD BOOST 1986 CAR SALES TO ABOUT 225,000 COMPARED TO 1985 BARELY BREAKING 200,000. SAMCOR MD SPENCER STERLING SUMMED UP: "THE OUTLOOK FOR 1986 DOES NOT LOOK BRIGHT."

11. (U) SOUTH AFRICA'S HIGH-TECH MARKET.

IN THE FIRST OF A THREE-PART SERIES ON THE HIGH-TECH SECTOR IN SOUTH AFRICA, "BUSINESS DAY" (12/31) PROVIDES FIGURES PRODUCED BY THE BUSINESS AND MARKETING INTELLIGENCE FIRM ON THE SOUTH AFRICAN MARKET FOR ELECTRONIC COMPONENT EQUIPMENT AND SYSTEMS IN 1984 (SEE TABLE BELOW). THE FIRST ARTICLE PROVIDES ONLY

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COMMENTS ON THE DEVELOPMENTS IN THE WORLDWIDE HIGH-TECH SECTOR, BUT LATER QUOTES LEADING LOCAL MANUFACTURER IN TECH'S EXECUTIVE DAVID JACOBSON AS NOTING THAT SOUTH AFRICA IS NOT REALLY AT THE "HIGH-TECH EDGE" IN DEVELOPMENT AT PRESENT. JACOBSON NOTES THAT SA CAN BUY THE MOST ADVANCED PROCESSES AVAILABLE, BUT IF SA DOES NOT UNDERTAKE ITS OWN DEVELOPMENT, SAID JACOBSON, IT WILL LOOK TO THE FUTURE WITHOUT MEANINGFUL INDUSTRY -- "WE WILL BE CUT OFF FROM THE REST OF THE WORLD."

-----TABLE-----

COMPONENTS	-	6.8 PERCENT
EDP EQUIPMENT	-	22.7 PERCENT
TEST AND MEASUREMENT EQUIPMENT		1.7 PERCENT
TRANSPORT INSTRUMENTS AND EQUIPMENT		2.0 PERCENT
OFFICE AND BUSINESS EQUIPMENT		7.5 PERCENT
PROCESS CONTROL EQUIPMENT	-	4.0 PERCENT
TELECOMMUNICATIONS EQUIPMENT	-	19.3 PERCENT

SURVEILLANCE EQUIPMENT	-	1.8 PERCENT
ROBOTIC EQUIPMENT -	-	0.1 PERCENT
POWER-RELATED EQUIPMENT	-	3.4 PERCENT
AUDIO AND VIDEO EQUIPMENT	-	15.8 PERCENT
MEDICAL EQUIPMENT -	-	2.3 PERCENT

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AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY LUXEMBOURG
AMEMBASSY BERN
JUS MISSION USUN NEW YORK
USDOC WASHDC
DEPTTREAS WASHDC
AMEMBASSY GABORONE
AMEMBASSY MASERU
AMEMBASSY MBABANE
AMEMBASSY MAPUTO
AMEMBASSY HARARE
AMEMBASSY LUSAKA
AMEMBASSY LILONGWE
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SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

SOFTWARE - 4.5 PERCENT

OTHER - 2.6 PERCENT
SPECIALIZED MILITARY EQUIPMENT 5.3 PERCENT.

12. (U) TV MANUFACTURING HEADS FOR DEREGULATION.

PETER DUPEN, CHAIRMAN OF THE RADIO AND TELEVISION MANUFACTURERS' ASSOCIATION OF SA, NOTES THAT THE TV MANUFACTURING INDUSTRY IN SA IS HEADING FOR A SHAKE-OUT WITH THE PENDING DEREGULATION OF THE INDUSTRY AND THE REMOVAL OF GOVERNMENT PROTECTION FOR THE CURRENT FOUR MAKERS -- TEK, TEDELEX, NATIONAL PANASONIC AND PHILIPS -- WHO CURRENTLY HAVE A COLLECTIVE CAPACITY OF 500,000 UNITS A YEAR. DUPEN NOTED THE CLOSEST THE INDUSTRY HAD EVER COME TO MAXIMUM PRODUCTION WAS 450,000 SETS IN 1976. IN 1983, THE INDUSTRY SOLD 330,000 SETS, AND 336,000 IN 1984 (THE MINI-BOOM YEAR), BUT THE 1985 FORECAST IS FOR ONLY 300,000 SETS. WITH OVER 50 PERCENT OF PRODUCTION COSTS FOR EACH SET SPENT ON IMPORTED COMPONENTS, 45 PERCENT OF WHICH GOES ON THE PICTURE TUBE, THE WEAK RAND AND INFLATION HAVE LED TO STAGNATION IN THE MARKET. THE INDUSTRY HAS RESORTED TO A FOUR-DAY WORK WEEK, REDUCED STAFF LEVELS BY 25 PERCENT, OR BY

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4,500 PERSONS. WITH MANY COMPONENTS COMING FROM JAPAN, AND WITH THE RAND'S DECLINE AGAINST THE YEN, THE AVERAGE PRICE INCREASE IN 1985 WAS 30 PERCENT, WITH AT LEAST ANOTHER 20 PERCENT EXPECTED IN 1986. NEW ENTRANTS INTO THE INDUSTRY WILL BE ALLOWED FROM JANUARY 1987 AND DUPEN EXPECTS FURTHER SHAKEOUT TO OCCUR EVEN BEFORE THEN. WITH 1986 SALES EXPECTED TO HIT ONLY 240 - 270,000, WITH THE INDUSTRY RUNNING AT ONLY 54 PERCENT OF CAPACITY.

13. (U) RAINS BRING PROMISE OF GOOD MAIZE CROP.

RECENT WIDESPREAD RAINS IN THE TRANSVAAL AND ORANGE FREE STATE HAVE RAISED HOPES FOR A POTENTIAL MAIZE CROP OF 8 TO 9 MILLION TONS. LAST YEAR'S CROP WAS 7 MILLION TONS, AFTER DROUGHT-REDUCED CROPS IN THE 4 MILLION TON RANGE IN PREVIOUS YEARS WHICH NECESSITATED COSTLY IMPORTS. ADEQUATE RAINFALL OVER THE NEXT TWO MONTHS IS STILL VITAL TO REACH THE PRESENTLY FORECAST LEVELS, WHICH WOULD ALLOW FOR EXPORTS ABOVE SOUTH AFRICA'S DOMESTIC CONSUMPTION OF ABOUT 6.5 MILLION TONS. A LEADING FERTILIZER SUPPLIER EVEN PREDICTS AN 11 MILLION TON CROP IF GOOD RAINFALL WERE RECEIVED IN THE NEXT FEW WEEKS. THE RECORD SA CROP WAS 14.1 MILLION TONS ACHIEVED IN 1982 BEFORE THE BEGINNING OF THE DROUGHT FOR SEVERAL YEARS.

14. (U) SA'S FARMING CRISIS.

"FINANCIAL MAIL" (12/27/85) REVIEWS SA'S FARMING
CRISIS AND UNDERLINES THAT THE CRISIS SNOWBALLED IN 1985
AND THEN MOVE "SIDEWAYS" WITH AGRICULTURE MINISTER
WENTZEL'S CHRISTMAS STATEMENT PROMISING THAT AGRICULTURE
MUST MOVE TO A COMBINATION OF "ORDERLY" MARKETING AND
"FREE MARKET" PRINCIPLES. "FM" NOTES THE NEED FOR

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AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

• AMEMBASSY BRUSSELS

• AMEMBASSY LUXEMBOURG

• AMEMBASSY BERN

• USMISSION USUN NEW YORK

• USDDC WASHDC

• DEPTTREAS WASHDC

• AMEMBASSY GABORONE

• AMEMBASSY MASERU

• AMEMBASSY MBABANE

• AMEMBASSY MAPUTO

• AMEMBASSY HARARE

• AMEMBASSY LUSAKA

• AMEMBASSY LILONGWE

• AMEMBASSY NAIROBI

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• DEPT PASS TO FEDERAL RESERVE

• E.O. 12356: N/A

• TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

• SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

RELAXING WIDESPREAD FARMING CONTROLS BY THE GOVERNMENT;
AT THE ROOT OF THE PROBLEM ARE THE 21 CONTROL BOARDS
CONSTITUTED 48 YEARS AGO UNDER THE 1937 MARKETING ACT.

FARM DEBT IS A RECORD PROPORTION OF GNP, WORTH ALMOST 10 PERCENT OF 1985'S GNP. ALSO, THE MARKETING ACT'S GOAL OF REDUCING THE PRICE DIFFERENTIAL BETWEEN PRODUCER AND CONSUMER HAS NOT BEEN MET AS THE PRODUCERS' SHARE HAS FALLEN FROM 54 PERCENT IN 1975 TO 48.4 PERCENT AT THE BEGINNING OF 1985, TO 45 PERCENT IN AUGUST 1985. THE ACT ALSO CALLED FOR REASONABLE PRICES, BUT THE CONSUMER PRICE INDEX FOR FOOD HAS RISEN 247 PERCENT IN THE PAST DECADE, WHILE THAT FOR GRAIN PRODUCTS, SA'S STAPLE FOODS OF MAIZE MEAL AND BREAD, RISING BY 308 PERCENT. "FM" CALLS FOR MODERN ECONOMIC THEORY -- SOUTH AFRICA IS NO MORE OVER-CONCENTRATED OR DUALISTIC THAN MANY OTHER COUNTRIES, AND THAT SUSTAINING INEFFICIENT FARMERS BY BUREAUCRATIC PROCESS IGNORES THE VITAL ROLE OF INSOLVENTS IN AN EFFICIENT ECONOMY.

15. (U) SOUTH AFRICAN POSITIONS ON SOUTH ATLANTIC FISHING.

ACCORDING TO DR. J. SERFONTEIN, CHIEF DIRECTOR OF THE MARINE DEVELOPMENT BRANCH OF THE DEPARTMENT OF ENVIRONMENTAL AFFAIRS, THE RECENT INTERNATIONAL CONFERENCE ON SOUTH ATLANTIC FISHERIES (ICSEAF) IN SPAIN SHOWED THAT THIS IS ONE INTERNATIONAL FORUM "WHERE SA HAS A VOICE THAT IS

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LISTENED TO." SERFONTEIN NOTED THE MEETING PROVIDED A PLATFORM FOR SA AND OTHER MEMBER COUNTRIES TO IDENTIFY THE WEAK AREAS CONCERNED WITH ADMINISTERING AND CONSERVING FISHERY RESOURCES IN THE COASTAL BELT OFF SOUTHWEST AFRICA/NAMIBIA. THE SA DELEGATION USED THE MEETING TO COMPLAIN ABOUT THE WAY THE FLEETS OF SOME MEMBER COUNTRIES WERE CONTINUALLY INFRINGING ON NAMIBIA'S 22-KM FISHING ZONE. ALTHOUGH THE NUMBER OF INFRACTIONS HAD DWINDLED FROM ABOUT 300 TO 40, SA SAID THE MATTER WAS STILL UNSETTLING. SERFONTEIN SAID SA HAD OBTAINED CONSIDERABLE SUPPORT FROM WEST GERMANY ON ITS POSITIONS SET FORTH AT THE ICSEAF MEETING. THE MEETING ALSO DETERMINED FISHING QUOTAS FOR FOREIGN FLEETS PERMITTED TO FISH IN THE CONTROLLED ZONE BETWEEN THE ORANGE AND KUNENE RIVERS. THE HAKE QUOTA FOR 1986 WAS INCREASED TO 481,000 TONS FROM THE 429,000 TONS IN 1985. MAASBANKER QUOTAS WERE REDUCED TO 485,000 TONS FROM 650,000 TONS, AND MACKEREL FROM 200,000 TONS TO 100,000 TONS. A QUOTA WAS ALSO ESTABLISHED FOR SNOEK FOR THE FIRST TIME, AT 34,000 TONS FOR 1986. SERFONTEIN SAID THIS REPRESENTS THE BEGINNING OF EFFORTS TO CONSERVE THESE STOCKS FOR NAMIBIA, ALONE. UNDER THE ICSEAF QUOTA SYSTEM FOR HAKE, NAMIBIA (SERVICED BY SA-OWNED TRAWLERS) HAS BEEN ALLOCATED ONLY 6.5 PERCENT OF THE TOTAL CATCH, OR ABOUT 35,000 TONS. THIS COMPARES WITH THE MORE THAN 375,000 TONS HAULED OUT BY SOVIET VESSELS, AND THE 107,000 TONS OF HAKE AND MACKEREL HARVESTED BY

POLISH FLEETS, SERFONTEIN SAID.

16. (U) ECONOMIC BRIEFS.

SA'S WOOL INDUSTRY GROSSED A RECORD R 402 MILLION IN 1984/85, COMPARED TO LAST YEAR'S FIGURE OF R 290 MILLION, INSPITE OF A 3.4 PERCENT PRODUCTION DECLINE TO 98.2 MILLION KGS. ACCORDING TO THE WOOL BOARD'S ANNUAL REPORT.

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	HHS-06	FRB-01	AGR-01	OES-09	JUS-01	USIE-00	SP-02
	DDEE-00	SNP-01	PRS-01	/132 W			

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R 031344Z JAN 86
FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC 2758
INFO AMCONSUL JOHANNESBURG
AMCONSUL CAPE TOWN
AMCONSUL DURBAN
AMEMBASSY LONDON
AMEMBASSY BONN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
• AMEMBASSY BRUSSELS
• AMEMBASSY LUXEMBOURG
• AMEMBASSY BERN
• USMISSION USUN NEW YORK
• USDOC WASHDC
• DEPTTREAS WASHDC
• AMEMBASSY GABORONE
• AMEMBASSY MASERU
• AMEMBASSY MBABANE
• AMEMBASSY MAPUTO
• AMEMBASSY HARARE
• AMEMBASSY LUSAKA
• AMEMBASSY LILONGWE
• AMEMBASSY NAIROBI

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• TAGS: EFIN, ETRD, EIND, EMIN, ELAB, PHUM, SF

• SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

THE AVERAGE PRICE OF WOOL ROSE BY ABOUT 42 PERCENT DURING
THE SEASON, WHICH MEANT THAT FOR THE FIRST TIME IN MORE
THAN A DECADE, WOOL FARMERS RECEIVED A REAL INCREASE

IN INCOME OF MORE THAN 25 PERCENT. MORE THAN 85 PERCENT OF THE WOOL CLIP WAS EXPORTED. FOR 1985/86, AVERAGE PRICES ARE FORECAST AT VERY CLOSE TO THE HIGH LEVELS OF LAST SEASON.

- THE VALUE OF BUILDING PLANS APPROVED FOR THE PERIOD OCTOBER-DECEMBER 1985 DROPPED 19.4 PERCENT TO R 4.012 BILLION, FROM THE FIGURE FOR THE SAME PERIOD IN 1984. THE VALUE OF BUILDINGS COMPLETED ROSE 7 PERCENT TO R3.200 BILLION AT CURRENT PRICES; DISCOUNTED TO 1980 PRICES, THE VALUE OF PLANS PASSED DROPPED 20.4 PERCENT, WHILE BUILDINGS COMPLETED SHOWED A FALL OF 0.1 PERCENT TO R 1.842 BILLION. THE NEGATIVE TENDANCY IS MOST NOTICEABLE IN RESIDENTIAL BUILDINGS, WHERE PLANS PASSED DROPPED BY 33.1 PERCENT TO R 1.577 BILLION; BUILDINGS COMPLETED DROPPED BY 8.3 PERCENT TO R 1.564 BILLION. THE VALUE OF NON-RESIDENTIAL PLANS FELL BY 16 PERCENT TO R 1.221 BILLION, WHILE THOSE COMPLETED ROSE BY 30.2 PERCENT TO R 831.4 MILLION. ALTERATIONS AND ADDITIONS PALLNED ROSE BY ONLY 3.9 PERCENT, BUT PROJECTS COMPLETED ROSE BY 24.5 PERCENT TO R 804.5 MILLION.

- CEMENT SALES AND OUTPUT DROPPED IN THE FIRST 11 MONTHS OF 1985; BOTH WERE ONE MILLION TONS LOWER THAN FOR

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THE SAME PERIOD IN 1984, ACCORDING TO THE SA CEMENT PRODUCERS ASSOCIATION. AT 6.66 MILLION TONS (7.69 MILLION IN 1984), OUTPUT IS RUNNING 13.4 PERCENT DOWN ON LAST YEAR, WHILE SALES AT 6.87 MILLION TONS (7.96 MILLION) ARE 13.4 PERCENT BELOW THE PREVIOUS YEAR. APART FROM APRIL 1985, THE 1985 MONTHLY OUTPUT FIGURES HAVE SHOWN LOSSES FROM THE CORRESPONDING MONTHS IN 1984, WHILE SALES HAVE INVARIABLY BEEN LOWER, REFLECTING THE DOWNTURN IN THE CONSTRUCTION SECTOR OF THE ECONOMY.

CONSUMER SPENDING AT YEAR-END 1985 HAS BEEN LOWER THAN EVER, ACCORDING TO EARLY INDICATIONS FROM MAJOR RETAILERS. THE ASSOCIATION OF CHAMBERS OF COMMERCE (ASSOCOM) FORECAST THAT SALES NATIONALLY WOULD TOTAL ABOUT R 6.4 BILLION, A REAL DECLINE OF AROUND 7 PERCENT COMPARED TO 1984. THE CLOTHING AND LUXURY CATEGORY ITEMS WERE HARDEST HIT.

THE SOUTH AFRICAN BUREAU OF STANDARDS (SABS) HAS JOINED THE QUALITY ASSESSMENT SYSTEM FOR ELECTRONIC AND ELECTROTECHNICAL COMMISSION (IECQ). ACCORDING TO SABS, THIS MOVE SHOULD ASSIST THE EXPORT OF LOCALLY MANUFACTURED ELECTRONIC COMPONENTS AS COMPONENTS CONFORMING WITH THE REQUIREMENTS OF AN APPLICABLE IECQ SPECIFICATION, RELEASED IN A PARTICIPATING COUNTRY, ARE TO BE EQUALLY ACCEPTABLE IN ALL OTHER PARTICIPATING COUNTRIES WITHOUT THE NEED FOR FURTHER TESTING. SABS ALSO NOTED THAT ONE OF THE IECQ

PRINCIPLES IS THAT THERE SHALL BE NO UNFAIR DISCRIMINATION
AGAINST IECQ CERTIFICATE HOLDERS.

- MIKE GETZ, PRESIDENT OF THE NATIONAL CLOTHING FEDERATION OF SA, SAYS THAT SA MUST TACKLE MORE UNAMBIGUOUSLY ITS RELATIONSHIPS WITH THOSE TRADING PARTNERS AND NEIGHBORS THAT HAVE JOINED THE ANTI-SA BANDWAGON. GETZ NOTED THAT ZIMBABWE HAS PRIVILEGED ACCESS TO SA MARKETS, "POURING IN SHIRTS, SHOES AND UNDERWEAR IN CONSIDERABLE

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SUBJ: ECONOMIC/FINANCIAL DEVELOPMENTS IN SOUTH AFRICA -

VOLUMES." GETZ NOTED THAT 1985 WAS A DIFFICULT YEAR FOR
HIS INDUSTRY, WITH VOLUME OUTPUT DOWN BY 15 PERCENT
AND RETAIL SALES DECLINING 8 PERCENT AT CONSTANT 1980

PRICES. EMPLOYMENT DROPPED BELOW THE 1978 LEVEL OF 110,000. (COMMENT: GETZ DID NOT MENTION THE SAG POLICY OF ENCOURAGING DECENTRALIZATION TO THE "HOMELANDS," IN WHICH MANY CLOTHING MANUFACTURING FIRMS HAVE BEEN ESTABLISHED.)

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